

**“Market Enhancement for Water-Efficient Products”  
Stakeholder Meeting  
Hilton Austin Hotel  
500 East 4<sup>th</sup> Street, Austin, Texas  
January 15, 2004**

**Speech by James A. Hanlon  
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***Welcome***

Thank you, Miguel. Good morning everyone. I’d like to welcome you to our second stakeholder meeting to explore options for a Market Enhancement Program for Water-Efficient Products. We are very excited about building on our existing successes in water efficiency and moving in new directions. We’re also very encouraged to see such a diverse group of people interested in market-based approaches to achieving water efficiency and are eager to hear what you have to say about the opportunities and challenges in front of us.

***Why Is Water Efficiency Important?***

Clean and safe water is one of our nation’s top priorities, and the cost of providing it is greatly impacted by how efficiently we use water. In September of 2002, EPA issued a report that analyzed the gap between clean water and drinking water investment needs and current levels of funding for the next 20 years. Our analysis shows that if investment in water infrastructure does not increase, the gap

between needs and investments over the next 20 years is potentially daunting: our mid-range estimate for the clean water capital payment gap is \$122 billion; and our mid-range estimate for the drinking water capital payment gap is \$102 billion. As with any estimate, there is uncertainty in the analysis. If the rate of spending increases, the payment gap will not be as great. Obviously, assumptions are very important – but so are choices. It is clear that we all must take actions now to help reduce this payment gap for water infrastructure. One of the actions we are taking is to enhance our program to promote water efficiency – managing water demand, preventing water losses, and reducing wastewater flows – in order to reduce or defer infrastructure needs.

We are interested in water efficiency not only to help reduce the need for water and wastewater infrastructure, but to preserve water supplies as well. According to a recent US General Accounting Office study, under non-drought conditions, 36 states anticipate freshwater shortages in the next ten years. This situation is likely to continue as population and economic growth put increasing pressure on scarce water supplies. The efficient use of water also has environmental benefits because aquatic habitats are protected due to less withdrawal and power plant emissions are reduced due to less energy used to pump, treat, and heat water.

### ***Enhancing the Market for Water-efficient Products***

Before I talk about the status of our program development, I'd like to respond to question I'm anticipating many of you may have: "What effect will the change of administration at EPA have on the market enhancement program?"

Administrator Leavitt is developing a 500-day plan for each program office, and the plan for the Water Office has not yet been finalized. Ben Grumbles, the Acting Assistant Administrator for Water assured me that water efficiency is one of his highest priorities, and he very much wanted to be here today. So support for this program remains high.

Stated simply, our proposed national market enhancement program for water-efficient products aims to increase water efficiency by:

- helping consumers identify and understand the many advantages of water-efficient products for residential or commercial use,
- motivating manufacturers to produce more competitive water-efficient products, and
- encouraging and helping distributors, retailers, and local water utilities to promote these products.

The program will be voluntary and work on a partnership basis with the various stakeholders.

The types of products the Agency will evaluate include those for residential and nonresidential use. Plumbing products, appliances, landscape irrigation devices, cooling equipment, commercial kitchen and laundry equipment and other products will be evaluated based on water savings, performance, and market considerations. Our preliminary investigations indicate there is a strong potential to save significant amounts of water and energy through market enhancement activities. While we have a keen interest in product labeling, we'll also be investigating other opportunities, such as voluntary standards and design competitions. We need to make sure our efforts would clearly increase benefits resulting from activities already under way, such as the Energy Star program and national plumbing product and appliance standards. We also need to coordinate our program with Energy Star and other voluntary programs, capitalizing on any synergies we may find, but being careful to avoid any negative effects our activities may have on others.

This program is in the beginning stages, and we have a lot of market research and stakeholder interaction ahead of us to determine which approaches are most suitable for the various technology areas. We will make no decisions about products until we complete our analytical work. Here are the steps we are working on now.

- We are in the process of procuring consultant services to provide support for further analysis of products, characterizing markets, developing a product selection process, and evaluating program approaches and frameworks. Before any decisions are made on key aspects of the program, we will seek stakeholder input.
- We are hiring additional full-time staff for the project.
- Together with EPA ENERGY STAR staff, we've met with ENERGY STAR staff in the Department of Energy. DOE is willing to entertain discussion about including a water factor in the next revision to the ENERGY STAR clothes washer specification, which is scheduled to take effect in January 2007. The revision process should start in about a year.
- We will hold two additional stakeholder meetings and then assess the need for additional meetings and other mechanisms for stakeholder involvement. The next meeting will be in Phoenix on February 17<sup>th</sup> to talk about landscape irrigation products. And the last meeting is being planned for potentially two days the end of March or early April in Seattle to discuss residential and commercial products for indoor use.

### ***Reaction to the First Stakeholder Meeting***

Our first stakeholder meeting was held in Washington, DC on October 9, 2003. This was an excellent start to our stakeholder involvement process to learn

about ideas, viewpoints, and concerns from a variety of perspectives. In general, most stakeholder groups were supportive of the concept of an EPA market enhancement program for water-efficient products. Some of the notable points we took away from that meeting include:

- The program should be voluntary and national.
- Product performance is a key factor that must not be sacrificed, and performance metrics should be developed early.
- Care should be taken to avoid confusing the marketplace or placing unreasonable demands on manufacturers or retailers.
- More education of consumers, retailers, manufacturers, utilities, and stakeholders in general, is needed.
- Systems issues are extremely important: some products operate as part of a system, e.g., irrigation systems, and performance is affected by the other components. This raises testing issues, especially with respect to toilet testing with drainlines, as well as marketing issues.
- Other countries are interested or involved in water-efficient product labeling: Australia/New Zealand, Canada, Britain. We'll hear more about Environment Canada's interest today.
- More needs to be done to foster water-efficient technology research and development.

- Complementary strategies are essential to the successful promotion of water-efficient products.
- The name and logo for the program should be based on professional market research.

This compilation of comments is certainly not all that we heard in October. A full summary of the meeting, as well as other comments we have received, is available on our website.

### ***Closing***

Assembled for today's meeting are panelists who represent a broad range of perspectives and experience to help us in the discussions today. Participants, especially the water utility and state conservation people here today, will learn about how energy efficiency programs and others have organized or coordinated to become more effective forces in the marketplace. Perhaps discussion will begin on the formation of a Consortium for Water Efficiency. We consider the formation of a national organization of local and state water efficiency programs to be a potentially valuable component for successful transformation of the market.

The input we receive here, and in subsequent stakeholder meetings, will be invaluable as we shape our program. We cannot succeed without the help of all

stakeholders so we will continue to build the program together with you. I want to thank you for coming and extend my wishes for a very productive meeting.